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Legend

Distributing =

Distributing 1 =

Distributing 2 =

Sub =

Controlled =

Date 1 =

Date 2 =

Date 3 =

Year A =

State A =

State B =

State C =

Business A =

Business B =

a =

b =

c =

d =

e =

f =

g =

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i =

j =

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Dear :

This letter responds to your March 27, 2008 request for rulings regarding certain federal income tax consequences of a series of proposed transactions (collectively, the "Proposed Transactions"). The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Summary of Facts

Distributing, a State A corporation, is a publicly-held corporation and the common parent of an affiliated group of corporations. Distributing engages in Business A (the "Distributing Businesses") both directly and indirectly through members of its separate affiliated group (including Distributing 1 and Distributing 2) (the "Distributing SAG") as defined in Section 355(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code"). As of Date 1, Distributing had approximately a shares of common stock, par value \$b per share ("Distributing Common Stock") issued and outstanding and c shares of preferred stock, par value \$b per share, issued and outstanding. Distributing owns all of the outstanding common stock of Distributing 2, a State B corporation. As of Date 2, Distributing 2 had approximately t shares of common stock, par value \$b per share ("Distributing 2 Common Stock") issued and outstanding. Distributing 2, through its wholly owned subsidiary, Sub, which is a disregarded entity for federal income tax purposes, owns all of the outstanding stock of Distributing 1, a State C corporation. As of Date 2, Distributing 1 had approximately u shares of common stock, par value \$s per share ("Distributing 1 Common Stock") issued and outstanding. Distributing 2 and

Distributing 1 are each engaged, both directly and indirectly through members of their separate affiliated group, as defined in Section 355(b)(3)(B) (respectively, the “Distributing 2 SAG” and the “Distributing 1 SAG”), in some of the Distributing Businesses (respectively, the “Distributing 2 Businesses” and the “Distributing 1 Businesses”).

Controlled, a State C corporation, engages primarily in Business B (the “Controlled Business”) both directly and indirectly through members of its separate affiliated group, as defined in Section 355(b)(3)(B) (the “Controlled SAG”). As of Date 3, Controlled had approximately d shares of common stock, par value \$b per share (“Controlled Common Stock”) issued and outstanding and no shares of preferred stock issued and outstanding. Distributing 1 owns approximately e shares of Controlled Common Stock, constituting approximately f percent of the outstanding Controlled Common Stock, and the remainder of the outstanding Controlled Common Stock is owned by public shareholders, none of whom (to the knowledge of Controlled) owns five percent or more of the outstanding Controlled Common Stock. Distributing 1 has held all of its shares of Controlled Common Stock, other than approximately g shares that it purchased from Controlled during the h quarter of Year A, for the five-year period ending on the date of the Proposed Transactions. Controlled and certain of its wholly owned subsidiaries have net operating loss carryforwards.

Distributing and Controlled believe, and have been advised by their respective financial advisors that separating the Controlled Business from the Distributing Businesses, pursuant to the Proposed Transactions, will benefit both Distributing and Controlled and their respective businesses. More specifically, Distributing believes that separating the Controlled Business and the Distributing Businesses will allow Distributing management to focus on its core operations without the distractions arising from the operation and oversight of the Controlled Business, which does not currently fit within Distributing’s current or future growth initiatives. Controlled believes that the Proposed Transactions will allow it to pursue future business initiatives free from the constraints of having a controlling corporate shareholder and eliminate restrictions on its ability to make investments or pursue strategies that its management believes are in its best long-term interests. Further, Controlled expects, and has been advised by its financial advisor, that the Proposed Transactions will eliminate the overhang on the Controlled Stock that results from having a large corporate shareholder, and hence, allow the Controlled Stock to trade more efficiently. This is expected to provide Controlled with greater flexibility to use its equity as currency for acquiring complementary operations and raising cash for its business operations on a more efficient basis. Moreover, a number of key customers of Controlled that are direct competitors of Distributing have expressed concern, and are expected to continue to express concern, about the indirect benefit that Distributing derives from the business they conduct with Controlled. Controlled expects that eliminating these customer conflicts will benefit Controlled’s business going forward.

Financial information has been submitted that indicates that the Distributing SAG, the Distributing 1 SAG, the Distributing 2 SAG and the Controlled SAG each has had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years.

To accomplish this separation, the parties have proposed the following steps be undertaken.

Proposed Transactions

- (i) Controlled will recapitalize its stock (the “Recapitalization”). In the Recapitalization, Controlled will reclassify the Controlled Common Stock into low-vote common stock (the “Controlled Class A Common Stock”) and authorize the creation of high-vote common stock (the “Controlled Class B Common Stock”) (the Controlled Class A Common Stock together with the Controlled Class B Common Stock, “Controlled Stock”). Distributing 1 will exchange all of the outstanding Controlled Common Stock it owns, other than the approximately g shares purchased from Controlled during the h quarter of Year A that will be reclassified as Controlled Class A Common Stock (such approximately g shares of Controlled Class A Common Stock the “Recently Acquired Stock”), for Controlled Class B Common Stock on a one share-for-one share basis. The Controlled Class B Common Stock, voting together as a single class, shall be entitled to elect at least 80 percent of the members of the Controlled Board of Directors (the “Controlled Board”). The Controlled Class A Common Stock, voting together as a single class, shall be entitled to elect the remaining members of the Controlled Board (i.e., no more than 20 percent of the members of the Controlled Board). The Controlled A Common Stock and Controlled Class B Common Stock will be identical in all other respects (including with respect to dividends, proceeds upon liquidation and voting on all matters other than the election of directors). As discussed below, the terms of the Controlled Class B Common Stock will provide that a holder of more than j percent of the aggregate number of shares of Controlled Class B Common Stock will be subject to certain restrictions on its ability to vote in an election of members to the Controlled Board (the “Voting Restrictions”). As part of the Recapitalization, and as described in more detail below, Controlled will amend its articles of incorporation (the “Amended Charter”) to include restrictions on certain transfers of Controlled Stock to any “5-percent shareholder” within the meaning of Section 382 and Treasury Regulations promulgated thereunder (the “Transfer Restrictions”) and the Controlled Board will adopt a Section 382 rights plan to further reduce the risk of any ownership change within the meaning of Section 382 (the “Rights Plan”).

- (ii) Distributing 1 will distribute all of the shares of Controlled Class B Common Stock to Sub (which is a disregarded entity for federal income tax purposes) which will distribute such shares to Distributing 2 ("Spin-Off 1") and Distributing 1 will retain the Recently Acquired Stock.
- (iii) Distributing 2 will distribute all of the shares of Controlled Class B Common Stock that it receives in Spin-Off 1 to Distributing ("Spin-Off 2").
- (iv) Distributing will make an exchange offer (the "Exchange Offer") to its shareholders, in which it will offer to exchange between approximately j percent and k percent of its Controlled Class B Common Stock for outstanding shares of Distributing Common Stock (the "Initial Split-Off"). The consummation of the Initial Split-Off will be conditioned upon a minimum level of participation in the Exchange Offer by the Distributing shareholders, which minimum level of participation will be determined by Distributing prior to the commencement of the Exchange Offer but shall be no less than j percent of the number of shares of Controlled Class B Common Stock that it makes available in the Exchange Offer. The exchange ratio for the Exchange Offer will be set at a level intended to encourage the Distributing shareholders to tender their Distributing Common Stock in the Exchange Offer. The Distributing shareholders participating in the Exchange Offer will not receive fractional shares of Controlled Class B Common Stock in the Initial Split-Off. Rather, the distribution agent will aggregate and sell on the open market all fractional shares and distribute the proceeds to those shareholders otherwise entitled to fractional shares.
- (v) Distributing will exchange the remaining approximately m percent (or such lower applicable percent) of its Controlled Class B Common Stock (and any other shares of Controlled Class B Common Stock remaining following the Initial Split-Off) (the "Remaining Controlled Class B Common Stock") for a portion of its outstanding debt (the "Debt Securities") (the "Initial Debt Exchange"). The Debt Securities will have all been issued by Distributing with an initial term of at least n years. To the extent Distributing does not distribute any or all of the Remaining Controlled Class B Common Stock in the Initial Debt Exchange, it may initiate and engage in (1) additional private debt exchanges having generally similar terms to those of the Initial Debt Exchange (the "Subsequent Private Debt Exchanges"), (2) one or more public debt exchanges (the "Subsequent Public Debt Exchanges" and, together with the Initial Debt Exchange and any Subsequent Private Debt Exchanges the "Debt Exchange") that is or is required to be registered under the Securities Act, pursuant to which the offeree of such Subsequent Public Debt Exchange shall exchange Debt Securities for shares of Controlled Class B Common Stock, or (3)

exchange any remaining shares of Controlled Class B Common Stock with Distributing shareholders for outstanding Distributing Common Stock in a subsequent exchange offer (either public or private) (the “Subsequent Exchange” and, together with the Initial Split-Off, the “Split-Off” and, collectively with Spin-Off 1 and Spin-Off 2, the “Distributions”), until all of the Controlled Class B Common Stock held by Distributing has been exchanged for Debt Securities or Distributing Common Stock and Distributing no longer holds any Controlled Class B Common Stock.

- (vi) Following the consummation of the Initial Split-Off, to facilitate the Initial Debt Exchange, one or more investment banks (the “Investment Banks”) that also serve as financial advisors to Distributing, will initiate the purchase of an amount of Debt Securities in the secondary market (the “Debt Securities Acquisition”) in their capacity as principals acting for their own accounts.
- (vii) Not less than 0 calendar days following the consummation of the Debt Securities Acquisition, the Investment Banks and Distributing expect to execute (neither being legally obligated to do so) an agreement (the “Debt Exchange Agreement”) under which Distributing will transfer to the Investment Banks the Remaining Controlled Class B Common Stock in exchange for the Debt Securities acquired by the Investment Banks. It is contemplated that the exchange ratio of the Initial Debt Exchange will be a negotiated exchange ratio based on the fair market value of the Debt Securities (determined taking into account relevant factors which are intended to reflect the costs to the Investment Banks in acquiring the Debt Securities) as of the date of the Initial Debt Exchange and the fair market value of the Remaining Class B Common Stock (i.e., the price at which the shares will be sold in the Secondary Equity Offerings (as defined below), taking into account customary underwriting spreads). The Investment Banks would then resell the Remaining Controlled Class B Common Stock they receive in the Initial Debt Exchange in one or more registered public offerings (the “Secondary Equity Offerings”). In the event that, at the time the Initial Debt Exchange is consummated, the fair market value of the Remaining Controlled Class B Common Stock exceeds the fair market value of the Debt Securities acquired by the Investment Banks in the Debt Securities Acquisition (with the result that, after the Initial Debt Exchange, Distributing still holds Controlled Class B Common Stock), the parties expect to repeat the entire process (e.g., the Debt Securities Acquisition and the execution of the Debt Exchange Agreement not less than 0 calendar days later), pursuant to a Subsequent Private Debt Exchange, or to engage in a Subsequent Public Debt Exchange or Subsequent Exchange, until all of the Controlled Class B Common Stock held by Distributing has been exchanged for Debt Securities or

Distributing Common Stock and Distributing no longer holds any Controlled Class B Common Stock.

- (viii) Distributing will reimburse up to \$g of transaction expenses incurred by Controlled in connection with the Split-Off and Distributing will also pay or reimburse Controlled for certain deal related expenses. In addition, through the h anniversary of the date of consummating the Split-Off, Distributing will reimburse Controlled, at a fixed rate per holder in excess of an agreed upon number of shareholders, for certain additional costs that Controlled will incur as a result of having to service the increased number of Controlled shareholders.

Controlled presently expects that, following the consummation of the Split-Off and the Debt Exchange and in connection with the consideration of resolutions to be submitted to the Controlled shareholders at the next regularly scheduled annual shareholders' meeting of Controlled or at a special shareholders' meeting of Controlled, the Controlled Board will consider a proposal to convert the Controlled Class B Common Stock to Controlled Class A Common Stock on a share-for-share-basis (a "conversion"), subject to the receipt of Controlled shareholder approval. There will be no binding commitment by the Controlled Board to, and there can be no assurance that the Controlled Board will, consider the issue or resolve to present the proposal to the Controlled shareholders at that meeting or any subsequent meeting. Moreover, there can be no assurance that, if presented, the Controlled shareholders will approve a conversion. If such proposal is approved by the Controlled Board and presented to the Controlled shareholders, a vote by a majority of each of the Controlled Class A Common Stock and the Controlled Class B Common Stock represented in person or by proxy at the shareholder meeting, voting separately, will be required for the proposal to be approved.

With respect to the Voting Restrictions discussed in step (i), the terms of the Controlled Class B Common Stock will include a limitation on the amount of Controlled Class B Common Stock that may be voted in an election of members to the Controlled Board by a holder of more than j percent of the outstanding shares of Controlled Class B Common Stock. The holder of more than j percent of the outstanding shares of Controlled Class B Common Stock will be entitled to vote only the portion of such holder's Controlled Class B Common Stock that represents a percentage of the outstanding Controlled Class B Common Stock equal to the sum (such sum, the "Voting Class B Percentage") of (i) j percent and (ii) if the holder holds in excess of j percent of the outstanding Controlled Class A Common Stock (such excess, the "Excess Class A Percentage") and more than j percent of the outstanding Controlled Class B Common Stock (the "Excess Class B Percentage"), the lesser of (x) the Excess Class A Percentage and (y) the Excess Class B Percentage. Any shares of Controlled Class B Common Stock in excess of the Voting Class B Percentage will not be voted in the election of members to the Controlled Board.

The Amended Charter, amended in step (i), will include the Transfer Restrictions, which will apply until the earlier of (i) 1 months from the effective date of the Amended Charter or (ii) such other date as the Controlled Board may determine in good faith that the Transfer Restrictions are no longer in the best interests of Controlled and its shareholders (the “Restriction Period”). In general, the Transfer Restrictions will prohibit and void ab initio any attempted transfer (including any direct or indirect sale, transfer, assignment, exchange, issuance, grant, redemption, repurchase, conveyance, pledge or other disposition, by any person other than Controlled) of “Controlled Securities” (including, for these purposes, the Controlled Stock and certain other equity interests in Controlled) during the Restriction Period to the extent that as a result of such transfer (or any series of transfers) either (1) any person or group of persons would become a 5-percent shareholder (other than by reason of Section 1.382-2T(j)(3)(i)), or (2) the percentage stock ownership of Controlled by any 5-percent shareholder would be increased. Any Controlled Securities purportedly acquired in contravention of this restriction will not be effective to transfer ownership and the purported transferee will not be entitled to any rights as a shareholder of a corporation with respect to the Controlled Stock in excess of the permitted amount. The Transfer Restrictions will not apply to certain transfers, including without limitation issuances of Controlled Securities by Controlled, any transfer pursuant to either the Split-Off or the Debt Exchange and any transfer approved in advance by the Controlled Board.

In addition, in order to further reduce the risk of an ownership change and to discourage existing and would-be shareholders of Controlled from violating the Transfer Restrictions, Controlled intends to adopt the Rights Plan. The Rights Plan will be implemented by granting each share of Controlled Stock one right to acquire 1 of a share of Controlled preferred stock (the “Rights”) upon the occurrence of certain triggering events. Controlled will create the Rights by declaring a dividend of one Right per share with respect to the Controlled Class A Common Stock and issuing the Controlled Class B Common Stock in the Recapitalization with one Right attached to each such share. Until the triggering event and distribution of the Rights certificates, the Rights will be attached to, trade in tandem with, and be evidenced solely by the certificates for, Controlled Stock. If no triggering event occurs, the Rights Plan and the Rights will expire at the end of the Restriction Period. A triggering event is the earlier of an acquisition resulting in either any person becoming a 5-percent shareholder of Controlled or any existing 5-percent shareholder of Controlled increasing its percentage stock ownership in Controlled, without the prior written approval of Controlled (subject to certain exclusions) (an “Acquisition”) and a tender or exchange offer by any person, without the prior written approval of Controlled, which would result, if not for the Transfer Restrictions, in an Acquisition (subject to certain exclusions).

For purposes of Section 382, prior to the Proposed Transactions, Controlled will be treated as having two separate public groups, each of which is treated as a 5-percent shareholder: (1) the direct public holders of Controlled Common Stock

(pursuant to Section 1.382-2T(j)(1)(iv)(C)) and (2) the public holders of Distributing Common Stock ("Public D") (pursuant to Section 1.382-2T(j)(1)(iv)(A)). After the Split-Off and Debt Exchange, at least two new public groups will be created (pursuant to Section 1.382-2T(j)(3)(i)): (i) "Public S," composed of the former Distributing shareholders who receive shares of Controlled Class B Common Stock pursuant to the Exchange Offer, and (ii) the public group composed of the Investment Banks receiving shares of Controlled Class B Common Stock pursuant to the Initial Debt Exchange and the ultimate purchasers of such shares from the Investment Banks. After the Split-Off and Debt Exchange, Public D will no longer be a 5-percent shareholder.

Representations

The Recapitalization

The following representations have been made with respect to the Recapitalization:

- (a) The fair market value of the shares of Controlled Class B Common Stock to be received by Distributing 1 immediately after the Recapitalization will be approximately equal to the fair market value of the shares of Controlled Class A Common Stock surrendered by Distributing 1 in the Recapitalization, immediately before the Recapitalization.
- (b) The Recapitalization is a single, isolated transaction and is not part of a plan to periodically increase the proportionate interest of any shareholder in the assets or earnings and profits of Controlled.
- (c) Controlled is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A).
- (d) Controlled has no legally binding obligation to any person to consider or present to the Controlled shareholders a proposal to convert the Controlled Class B Common Stock to Controlled Class A Common Stock following the consummation of the Split-Off.
- (e) If a proposal to convert the Controlled Class B Common Stock to Controlled Class A Common Stock is approved by the Controlled Board and presented to the Controlled shareholders, a vote by a majority of the shares of each of the Controlled Class A Common Stock and the Controlled Class B Common Stock represented in person or by proxy at the shareholder meeting will be required for the proposal to be approved.

The Transfer Restrictions

The following representation has been made with respect to the Transfer Restrictions:

- (f) The Transfer Restrictions are or will be legal, valid, binding, and enforceable against present and future shareholders of Controlled Stock under applicable state law, except as may be limited by, or subject to, bankruptcy, equitable principles or exceptions under state law (including public policies). Controlled intends to challenge and pursue by all available means any attempts to violate the Transfer Restrictions.

Spin-Off 1

The following representations have been made with respect to Spin-Off 1:

- (g) Indebtedness, if any, owed by Controlled to Distributing 1 after Spin-Off 1 will not constitute stock or securities.
- (h) No part of the consideration to be distributed by Distributing 1 will be received by Distributing 2 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.
- (i) The five years of financial information submitted on behalf of the Distributing 1 Businesses (as conducted by Distributing 1) is representative of the present operations of the Distributing 1 Businesses (as conducted by Distributing 1) and, with regard to such businesses, there have been no substantial operational changes since the date of the last financial statement submitted.
- (j) The five years of financial information submitted on behalf of the Controlled Business (as conducted by the Controlled SAG) is representative of the present operations of the Controlled Business and, with regard to such business, there have been no substantial operational changes since the date of the last financial statement submitted.
- (k) Following Spin-Off 1, the Distributing 1 SAG and the Controlled SAG will continue the active conduct of their respective businesses, independently and with their separate employees.
- (l) Spin-Off 1 is being carried out for the corporate business purpose of facilitating Spin-Off 2, the Split-Off and the Debt Exchange, and is motivated, in whole or substantial part, by this corporate business purpose.

- (m) Spin-Off 1 is not used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled or both.
- (n) Distributing 1 neither accumulated its receivables nor made any extraordinary payments of its payables in anticipation of Spin-Off 1.
- (o) No indebtedness between Distributing 1 (and its subsidiaries) and Controlled (and its subsidiaries) has been or will be cancelled in connection with Spin-Off 1.
- (p) No intercorporate debt will exist between Distributing 1 (and its subsidiaries) and Controlled (and its subsidiaries) at the time of, or subsequent to, Spin-Off 1, other than certain obligations arising from l entered into between Distributing 1 (and its subsidiaries) and Controlled (and its subsidiaries) in the ordinary course of business.
- (q) No property will be transferred by Distributing 1 to Controlled for which an investment credit allowed under Section 46 will be claimed.
- (r) Except for certain payments that will be made in connection with the separation agreement and ancillary agreements thereto and pursuant to certain agreements between Distributing 1 and Controlled entered into prior to the indirect acquisition by Distributing of Controlled, payments made in connection with any continuing transactions between Distributing 1 (and its subsidiaries) and Controlled (and its subsidiaries) following Spin-Off 1, will be for fair market value based on terms and conditions comparable to those that would be arrived at by the parties bargaining at arm's length.
- (s) No two parties to Spin-Off 1 are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).
- (t) For purposes of Section 355(d), immediately after Spin-Off 1, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Distributing 1 stock entitled to vote, or fifty percent or more of the total value of all classes of Distributing 1 stock, that was acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Spin-Off 1.
- (u) For purposes of Section 355(d), immediately after Spin-Off 1, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of

Controlled stock entitled to vote, or fifty percent or more of the total value of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Spin-Off 1 or (2) attributable to distributions on Distributing 1 stock that was acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Spin-Off 1.

- (v) Spin-Off 1 is not part of a plan or series of related transactions (within the meaning of Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a fifty percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing 1 or Controlled (including any predecessor or successor of any such corporation).
- (w) After Spin-Off 1, no director, officer or key employee of Distributing 1 or any of its subsidiaries will be a director, officer or key employee of Controlled or any of its subsidiaries.
- (x) Immediately after Spin-Off 1, neither Distributing 1 nor Controlled will be a “disqualified investment corporation” as defined in Section 355(g)(2)(A).
- (y) The business purpose for Distributing 1’s retention of the Recently Acquired Stock is (i) to avoid adding confusion and complexity to the Distributing shareholders’ decision-making process concerning the Split-Off and to the transaction more generally, which could in turn result in the Exchange Offer being undersubscribed and the transactions generally being financially less efficient, (ii) to avoid, given the relatively small number of shares of Controlled Class A Common Stock, having a large number of Controlled shareholders after the Distributions (each holding a small number of Controlled Class A Common Stock), which could adversely impact orderly and efficient public trading in the Controlled Stock and (iii) to avoid execution risk and pricing inefficiencies in the Debt Exchange. None of Distributing 1’s directors or officers will serve as directors or officers of Controlled as long as Distributing 1 retains the Recently Acquired Stock. The Recently Acquired Stock will be disposed of no later than 0 years after Spin-Off 1. Distributing 1 will vote the retained Recently Acquired Stock in the election of the members of the Controlled Board in proportion to the votes cast by the other holders of the Controlled Class A Common Stock, and, in all other matters, in proportion to the votes cast by all other shareholders of the Controlled Stock.

Spin-Off 2

The following representations have been made with respect to Spin-Off 2:

- (z) Indebtedness, if any, owed by Controlled to Distributing 2 after Spin-Off 2 will not constitute stock or securities.
- (aa) No part of the consideration to be distributed by Distributing 2 will be received by Distributing 2 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.
- (bb) The five years of financial information submitted on behalf of the Distributing 2 Businesses (as conducted by Distributing 2) is representative of the present operations of the Distributing 2 Businesses (as conducted by Distributing 2) and, with regard to such businesses, there have been no substantial operational changes since the date of the last financial statement submitted.
- (cc) The five years of financial information submitted on behalf of the Controlled Business (as conducted by the Controlled SAG) is representative of the present operations of the Controlled Business and, with regard to such business, there have been no substantial operational changes since the date of the last financial statement submitted.
- (dd) Following Spin-Off 2, the Distributing 2 SAG and the Controlled SAG will continue the active conduct of their respective businesses, independently and with their separate employees.
- (ee) Spin-Off 2 is being carried out for the corporate business purpose of facilitating the Split-Off and the Debt Exchange, and is motivated, in whole or substantial part, by this corporate business purpose.
- (ff) Spin-Off 2 is not used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled or both.
- (gg) Distributing 2 neither accumulated its receivables nor made any extraordinary payments of its payables in anticipation of Spin-Off 2.
- (hh) No indebtedness between Distributing 2 (and its subsidiaries) and Controlled (and its subsidiaries) has been or will be cancelled in connection with Spin-Off 2.
- (ii) No intercorporate debt will exist between Distributing 2 (and its subsidiaries) and Controlled (and its subsidiaries) at the time of, or subsequent to, Spin-Off 2, other than certain obligations arising from !

entered into between Distributing 2 (and its subsidiaries) and Controlled (and its subsidiaries) in the ordinary course of business.

- (jj) No property will be transferred by Distributing 2 to Controlled for which an investment credit allowed under Section 46 will be claimed.
- (kk) Except for certain payments that will be made in connection with the separation agreement and ancillary agreements thereto and pursuant to certain agreements between Distributing 1 and Controlled entered into prior to the indirect acquisition by Distributing of Controlled, payments made in connection with any continuing transactions between Distributing 2 (and its subsidiaries) and Controlled (and its subsidiaries) following Spin-Off 2, will be for fair market value based on terms and conditions comparable to those that would be arrived at by the parties bargaining at arm's length.
- (ll) No two parties to Spin-Off 2 are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).
- (mm) For purposes of Section 355(d), immediately after Spin-Off 2, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or fifty percent or more of the total value of all classes of Distributing 2 stock, that was acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Spin-Off 2.
- (nn) For purposes of Section 355(d), immediately after Spin-Off 2, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or fifty percent or more of the total value of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Spin-Off 2 or (2) attributable to distributions on Distributing 2 stock that was acquired by purchase (as defined in Sections 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of Spin-Off 2.
- (oo) Spin-Off 2 is not part of a plan or series of related transactions (within the meaning of Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a fifty percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing 2 or

Controlled (including any predecessor or successor of any such corporation).

- (pp) After Spin-Off 2, no director, officer or key employee of Distributing 2 or any of its subsidiaries will be a director, officer or key employee of Controlled or any of its subsidiaries.
- (qq) Immediately after Spin-Off 2, neither Distributing 2 nor Controlled will be a “disqualified investment corporation” as defined in Section 355(g)(2)(A).

The Split-Off and Debt Exchange

The following representations have been made with respect to the Split-Off and the Debt Exchange:

- (rr) Indebtedness, if any, owed by Controlled to Distributing after the Split-Off will not constitute stock or securities.
- (ss) The fair market value of the shares of Controlled Class B Common Stock to be received by each of the Distributing shareholders immediately after the Split-Off will be approximately equal to the fair market value of the shares of Distributing Common Stock surrendered by the Distributing shareholder in the Split-Off, immediately before the Split-Off.
- (tt) The fair market value of the shares of the Remaining Controlled Class B Common Stock to be received by each of the Investment Banks immediately after the Debt Exchange will be approximately equal to the fair market value of the Debt Securities surrendered by the Investment Bank in the Debt Exchange, immediately before the Debt Exchange.
- (uu) No part of the consideration to be distributed by Distributing in exchange for the Distributing Common Stock will be received by any shareholder of Distributing as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
- (vv) No part of the consideration to be distributed by Distributing in exchange for the Debt Securities will be received by a security holder as an employee or in any capacity other than that of a security holder of Distributing.
- (ww) The five years of financial information submitted on behalf of the Distributing Businesses (as conducted by the Distributing SAG) is representative of the present operations of the Distributing Businesses and, with regard to such businesses, there have been no substantial

operational changes since the date of the last financial statement submitted.

- (xx) The five years of financial information submitted on behalf of the Controlled Business (as conducted by the Controlled SAG) is representative of the present operations of the Controlled Business and, with regard to such business, there have been no substantial operational changes since the date of the last financial statement submitted.
- (yy) Following the Split-Off and the Debt Exchange, the Distributing SAG and the Controlled SAG will continue the active conduct of their respective businesses, independently and with their separate employees.
- (zz) The Split-Off and the Debt Exchange are being carried out for the following corporate business purposes: (1) to allow Distributing to increase its focus on its core Business A operations; (2) to divest Distributing of its interest in Controlled's Business B operations, which does not fit within Distributing's future growth initiatives; (3) to allow Controlled to pursue its future business initiatives free from the constraints of having a controlling corporate shareholder whose policies may conflict with the best interests of Controlled's businesses, which constraints may, in the absence of the Distributions and the Debt Exchange, restrict Controlled's ability to make investments or pursue strategies that Controlled's management believes are in its best long-term interests; (4) to eliminate the overhang on the Controlled Common Stock that results from having a large corporate shareholder and, accordingly, to have the Controlled Common Stock trade more efficiently following the Distributions and the Debt Exchange than it does presently and to allow Controlled greater flexibility to use its equity as currency for acquisitions of complementary businesses and to raise cash for its business operations on a more efficient basis; and (5) to eliminate customer conflicts, given that a number of key customers of Controlled that are direct competitors with Distributing have expressed concern, and are expected to continue to express concern, about the indirect benefit that Distributing derives from the business they conduct with Controlled, which is expected to benefit Controlled's business going forward. The Split-Off and the Debt Exchange are motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (aaa) The Split-Off and the Debt Exchange are not used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.

- (bbb) Distributing neither accumulated its receivables nor made any extraordinary payment of its payables in anticipation of the Split-Off.
- (ccc) No indebtedness between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) has been or will be cancelled in connection with the Split-Off and the Debt Exchange.
- (ddd) No intercorporate debt will exist between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) at the time of, or subsequent to, the Split-Off, other than certain obligations arising from 1 entered into between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) in the ordinary course of business.
- (eee) The aggregate amount of Distributing's Debt Securities exchanged for Controlled Class B Common Stock in the Debt Exchange will not exceed the weighted quarterly average of the Distributing debt owed to unrelated third parties at the close of business on the last full business day before the date on which the proposed divestiture of Controlled was first presented to Distributing's Board of Directors.
- (fff) No property will be transferred by Distributing to Controlled for which an investment credit allowed under Section 46 will be claimed.
- (ggg) Except for certain payments that will be made in connection with the separation agreement and ancillary agreements thereto and pursuant to certain agreements between Distributing 1 and Controlled entered into prior to the indirect acquisition by Distributing of Controlled, payments made in connection with any continuing transactions between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) following the Split-Off and the Debt Exchange, will be for fair market value based on terms and conditions comparable to those that would be arrived at by the parties bargaining at arm's length.
- (hhh) No two parties to the Split-Off are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).
- (iii) For purposes of Section 355(d), immediately after the Split-Off and the Debt Exchange, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Split-Off.

- (jjj) For purposes of Section 355(d), immediately after the Split-Off and the Debt Exchange, no person (determined after applying Section 355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or fifty percent or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Split-Off or (2) attributable to distributions on Distributing stock or Debt Securities that were acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Split-Off.
- (kkk) The Split-Off and the Debt Exchange are not part of a plan or series of related transactions (within the meaning of Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a fifty percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).
- (lll) As of the date of the Split-Off through the date of the Debt Exchange, no director, officer or key employee of Distributing or any of its subsidiaries will be a director, officer or key employee of Controlled or any of its subsidiaries.
- (mmm) The payment of cash in lieu of fractional shares of Controlled Class B Common Stock by the distribution agent will be solely for the purpose of avoiding the expense and inconvenience of issuing and maintaining fractional shares and will not represent separately bargained for consideration. The total cash that will be paid in connection with the Split-Off in lieu of fractional shares of Controlled Class B Common Stock is not intended to exceed one percent of the total consideration that will be distributed to holders of Distributing Common Stock in the Split-Off. It is intended that no Distributing shareholder will receive cash in lieu of fractional shares in an amount equal to or greater than the value of one full share of Controlled Common Stock.
- (nnn) Neither Distributing nor Controlled is a “disqualified investment corporation” as defined in Section 355(g)(2)(A).
- (ooo) Distributing will enter into the Debt Exchange Agreement with the Investment Banks no sooner than 9 calendar days following the consummation of the Debt Securities Acquisition.

- (ppp) The Debt Exchange will be consummated no later than p months following the consummation of the Initial Split-Off.
- (qqq) The Subsequent Exchange will be consummated no later than p months following the consummation of the Initial Split-Off.
- (rrr) Distributing will vote any shares of the Remaining Controlled Class B Common Stock it retains in the election of the members of the Controlled Board in proportion to the votes cast by the other holders of the Controlled Class B Common Stock, and, in all other matters, in proportion to the votes cast by all other holders of the Controlled Stock.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

The Recapitalization

1. The reclassification of the Controlled Common Stock as Controlled Class A Common Stock and the amendment of the Controlled charter to include the Transfer Restrictions will be treated as an exchange by the Controlled shareholders of their shares of Controlled Common Stock for shares of Controlled Class A Common Stock and will qualify as a reorganization defined in Section 368(a)(1)(E), and Controlled will be a “party to a reorganization” within the meaning of Section 368(b).
2. Controlled will not recognize any gain or loss on the reclassification of the Controlled Common Stock as Controlled Class A Common Stock in the Recapitalization. Section 1032(a).
3. The Controlled shareholders will not recognize any gain or loss upon the reclassification of their shares of Controlled Common Stock as shares of Controlled Class A Common Stock. Section 354(a)(1).
4. The basis of the shares of Controlled Class A Common Stock received by the Controlled shareholders will equal the basis of their reclassified shares of Controlled Common Stock. Section 358(a)(1).
5. The holding period of the shares of Controlled Class A Common Stock received by the Controlled shareholders will include the period during

which the Controlled shareholders held their reclassified shares of Controlled Common Stock. Section 1223(1).

6. The exchange by Distributing 1 of its shares of Controlled Class A Common Stock, excluding the Recently Acquired Stock, for shares of Controlled Class B Common Stock will qualify as a reorganization defined in Section 368(a)(1)(E), and Controlled will be a “party to a reorganization” within the meaning of Section 368(b).
7. Controlled will not recognize any gain or loss on the issuance of shares of Controlled Class B Common Stock in the Recapitalization. Section 1032(a).
8. Distributing 1 will not recognize any gain or loss upon the exchange of its shares of Controlled Class A Common Stock for shares of Controlled Class B Common Stock. Section 354(a)(1).
9. The basis of the shares of Controlled Class B Common Stock received by Distributing 1 will equal the basis of its shares of Controlled Class A Common Stock surrendered in exchange therefor. Section 358(a)(1).
10. The holding period of the shares of Controlled Class B Common Stock received by Distributing 1 will include the period during which Distributing 1 held its shares of Controlled Class A Common Stock surrendered in exchange therefor. Section 1223(1).

The Transfer Restrictions

11. For purposes of determining whether a “testing date” or an “ownership change” has occurred for Controlled within the meaning of Section 382 and the underlying Treasury Regulations at any time on or after the Split-Off, and provided that the Transfer Restrictions are enforceable under State C law (as described in representation (f)) and enforced according to their terms, any purported acquiror of Controlled Stock in contravention of the Transfer Restrictions will not be considered as acquiring ownership of such Controlled Stock.

Spin-Off 1

12. No income, gain or loss will be recognized (or realized and deferred) by Distributing 1 on Spin-Off 1. Section 355(c)(1).
13. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 2 on Spin-Off 1. Section 355(a)(1).

14. The holding period of the shares of Controlled Class B Common Stock received by Distributing 2 in Spin-Off 1 will include the holding period of the shares of Distributing 1 Common Stock with respect to which such shares of Controlled Class B Common Stock were received. Section 1223(1).
15. The aggregate basis of the shares of Distributing 1 Common Stock and the Controlled Class B Common Stock held by Distributing 2 immediately after Spin-Off 1 will equal the aggregate basis of the shares of Distributing 1 Common Stock held by Distributing 2 immediately before Spin-Off 1, allocated in proportion to the fair market value of the Distributing 1 Common Stock and the Controlled Class B Common Stock in accordance with Section 1.358-2(a)(2). Section 358(b)(2).
16. Earnings and profits, if any, will be allocated between Distributing 1 and Controlled in accordance with Sections 312(h) and 1.312-10(a).

Spin-Off 2

17. No income, gain or loss will be recognized (or realized and deferred) by Distributing 2 on Spin-Off 2. Section 355(c)(1).
18. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing on Spin-Off 2. Section 355(a)(1).
19. The holding period of the shares of Controlled Class B Common Stock received by Distributing in Spin-Off 2 will include the holding period of the shares of Distributing 2 Common Stock with respect to which such shares of Controlled Class B Common Stock were received. Section 1223(1).
20. The aggregate basis of the shares of Distributing 2 Common Stock and the Controlled Class B Common Stock held by Distributing immediately after Spin-Off 2 will equal the aggregate basis of the shares of Distributing 2 Common Stock held by Distributing immediately before Spin-Off 2, allocated in proportion to the fair market value of the Distributing 2 Common Stock and the Controlled Class B Common Stock in accordance with Section 1.358-2(a)(2). Section 358(b)(2).
21. Earnings and profits, if any, will be allocated between Distributing 2 and Controlled in accordance with Sections 312(h) and 1.312-10(a).

The Split-Off and Debt Exchange

22. No income, gain or loss will be recognized (or realized and deferred) by Distributing on the Split-Off and the Debt Exchange. Section 355(c)(1).
23. The Distributing shareholders will not recognize any gain or loss (and will not otherwise include any amount in income) upon the receipt of the shares of Controlled Class B Common Stock in exchange for the shares of Distributing Common Stock surrendered in the Split-Off. Section 355(a).
24. The Investment Banks will not recognize any gain or loss (and will not otherwise include any amount in income) upon the receipt of the Remaining Controlled Class B Common Stock in exchange for the Debt Securities surrendered in the Debt Exchange. Section 355(a).
25. The basis of the shares of Controlled Class B Common Stock received by the Distributing shareholders in the Split-Off will equal the basis of their shares of Distributing Common Stock surrendered in exchange therefor. Section 358(a)(1).
26. The holding period of the shares of Controlled Class B Common Stock received by the Distributing Shareholders in the Split-Off will include the period during which the Distributing shareholders held their shares of Distributing Common Stock surrendered in exchange therefor. Section 1223(1).
27. Earnings and profits, if any, will be allocated between Distributing and Controlled in accordance with Sections 312(h) and 1.312-10(a).
28. A shareholder who receives cash in lieu of a fractional share of Controlled Class B Common Stock will recognize gain or loss measured by the difference between the basis of the fractional share received, as determined above in ruling 25, and the amount of cash received. Section 1001. Any gain or loss will be treated as capital gain or loss, provided the fractional share of stock would be held as a capital asset on the date of the Split-Off. Sections 1221 and 1222.
29. For purposes of Section 382(g) and Section 1.382-2T(a), the increase, as a result of the Distributions, in the percentage stock ownership of Controlled by Public S will not be more than the excess of (i) the percentage stock ownership of Controlled by Public S immediately following the Split-Off over (ii) the product of (A) the percentage stock ownership of Controlled represented by the Controlled Class B Common Stock and (B) the percentage of the outstanding shares of Distributing Common Stock that is tendered to Distributing (other than such Distributing shares tendered by Distributing shareholders that do not

become members of Public S) pursuant to the Exchange Offer (whether or not accepted by Distributing).

30. In accordance with Section 1.382-2T(g)(5)(i)(B), Controlled may presume that the remaining stock owned by Public D immediately after the Distributions and the Debt Exchange (i.e., the Recently Acquired Stock) is the stock owned by Public D on each subsequent testing date having a testing period that includes the date of the Split-Off, as long as Public D continues to own less than five percent of the Controlled Stock. Thus, except for purposes of Section 1.382-2T(j)(2)(vi) and (j)(3)(v), Public D will not be treated as part of a new or existing public group within the meaning of section 1.382-2T(f)(13).
31. As long as Public D owns less than five percent of the Controlled Stock after the Distributions, any disposition of shares of Controlled Class A Common Stock by Distributing 1 after the Distributions will not create a segregation event under section 1.382-2T(j)(3)(i).
32. In accordance with Section 1.382-2T(k)(2), if Controlled receives a written and signed statement from a Distributing shareholder that such shareholder's ownership of Distributing Common Stock prior to the Split-Off exceeds the number of such shares tendered by such shareholder in the Exchange Offer, Controlled may take into account such excess for purposes of calculating the increase in the percentage stock ownership of Controlled by Public S as set forth in Ruling 29 by adding such excess, if any, to the percentage of the tendered outstanding shares of Distributing Common Stock in clause (ii)(B) of Ruling 29.

Caveats

No opinion is expressed about the tax treatment of the Proposed Transactions under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

- (i) Whether the Distributions satisfy the business purpose requirements of Treas. Reg. §1.355-2(b);
- (ii) Whether the Distributions are used principally as a device for the distribution of the earnings and profits of Distributing, Distributing 2, Distributing 1, or Controlled (see Section 355(a)(1)(B) and Treas. Reg. §1.355-2(d));

- (iii) Whether the Distributions are part of a plan (or series of related transactions) under Section 355(e)(2)(A)(ii); and
- (iv) The federal income tax treatment of Distributing's reimbursement of Controlled for certain transaction related expenses to the extent not covered by the foregoing rulings.

Procedural Matters

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
(Corporate)

cc: